

## **Division Accomplishments – 2003**

### **Agriculture Development Division**

**June 23, 2004**

The Agriculture Development Division (AgD) serves as a catalyst in expanding value-added agriculture initiatives and marketing efforts to attract, expand or retain food processing and agriculture support businesses as well as the development of new or enhanced domestic and international markets for Michigan food and agricultural products. The division also works to strengthen profitability for Michigan's family farms and enhance opportunities for the state's food and agriculture industry.

#### **Agri-Business Development Assistance**

- Supported the development of the Michigan State University Product Center for Agriculture and Natural Resources to improve economic opportunities in the Michigan agriculture, food and natural resources sectors. The Product Center will deliver technical, marketing and business services to farmers, farm associations, agri-businesses, food processing firms, natural resources-based firms and entrepreneurs to develop new products, services and businesses. In September of 2003, U.S. Secretary of Agriculture announced that the MSU Product Center received a \$1 million federal grant to further bolster the contributions that MSU and other partners of product agriculture had invested in the Center. A value-added agricultural and natural resources innovation counseling network was established with division staff members successfully being trained as ANR innovation counselors.
- Promoted the availability of space in each of the nine existing Agricultural Processing Renaissance Zones (APRZs) to firms both in and outside of Michigan. Also, the Michigan State Legislature and Governor Granholm approved new legislation to expand the number of APRZs available to 20, along with eliminating the sunset provision in the original legislation. This new legislation provides opportunities for future significant value-added agricultural processing projects that will attract new investment and jobs to Michigan and should expand market demand for Michigan farm commodities and products.
- One APRZ project expanded its processing facilities in 2003. Zeeland Farm Services' new \$5 million soybean oil refinery and bleaching plant in Zeeland was dedicated mid-year and it generated 30 new jobs and retained 35 others at ZFS by producing food-grade soybean cooking oil, called "Select Oil." This refinery is also a key facility for the future in converting refined soybean oil into finished biodiesel fuel, yet a final phase known as "the methyl ester process" must be built to produce biodiesel fuel.
- Another APRZ project, Graceland Fruit Co-op announced the \$21 million expansion of their value-added fruit and vegetable processing facilities in Frankfort, MI. The expansion is projected to create 45 new jobs by December 31, 2007 and at least 75 new jobs by 2017. Graceland Fruit has made application to the Michigan Department of Environmental Quality for all necessary state environmental permits.

- The division also worked with the Executive Office in supporting new legislation that provided some tax incentives for the manufacturing and blending of biodiesel fuel, along with labeling of ethanol blends at service station gasoline pumps that is consistent with national label standards. The Michigan State Legislature and Governor Granholm supported both proposals.

### **MISiteNET Web-based Service for Vacant Food Processing Facilities**

- Staff in Agriculture Development Division continue to use the MISiteNET service provided jointly by Michigan Economic Development Corporation, Detroit Edison and Michigan Economic Developers Association. This web-based service provides AgD staff with access to digital pictures and other vital information on vacant food processing sites in Michigan. The statewide database has been useful to show to prospective out-of-state food processing companies, farmer-owned processing co-ops and others that want to get started quickly in the food business in Michigan. Depending on the needs of the customer, staff may suggest using an existing vacant food processing facility that needs renovation as opposed to constructing a new processing plant on a "greenfield," which often takes twice as long to get into operation. The MISiteNET economic development tool has been helpful. A few years ago MDA and MEDC used it to show vacant sites to Michigan Turkey Producers Cooperative and Boars Head Provisions, Inc. where they quickly re-developed existing facilities in Wyoming and Holland, respectively.
- During 2003, a new cheese plant was being developed at Croswell, MI, from an old pickle plant that's being renovated. Also Prairie Farms Dairy, an 800-member dairy cooperative in Carlinville, Illinois started up its newest bottling plant in Battle Creek, MI, moving to a former Kellogg research laboratory facility that they expanded and modernized. MDA Food and Dairy Division staff were involved through the construction and equipment approval process. The company will begin bottling a fluid line of skim to whole milk and chocolate in various packaging sizes as they increase production in 2004.

### **ConAgra to Build Kosher Meat Processing Plant**

- In December 2003, ConAgra Foods announced that it will build a new kosher meat processing plant in Quincy, MI, next to their existing plant. The 100,000-square-foot facility is expected to open in late 2004 and create 120 new jobs. MDA cooperated with MEDC and the community in encouraging ConAgra to build this new plant in Michigan. Since 1867, the company has grown from a small Nebraska operation to a major food company in America that produces brand name packaged foods, food ingredients and agricultural products.

### **International Marketing**

- Provided \$100,000 through the MDA International Market Development Grant Program to 11 Michigan food and agricultural organizations. These proposals have the potential to leverage nearly \$326,000, or more than a 3-to-1 basis, in federal and private resources to develop or enhance overseas markets.

- Leveraged \$90,000 in federal funds to promote Midwestern wines in Europe through Mid-America International Trade Council (MIATCO). Michigan wineries participated in promotional activities in Dusseldorf, Germany and London, England.
- Coordinated the promotion of processed apple, blueberry, cherry and cranberry (ABCC) products targeting the Mexican baking industry. Three Michigan companies have obtained at least one distributor and made more than 20 new buyer contacts in Mexico. Michigan companies estimate an increase in sales of \$55,000 of the fruits over the next year. Approximately \$24,000 in sales was made directly at the trade show. Participated in an ABCC pavilion at ABASTUR, a hotel and restaurant show, which showcased the many ABCC products available from the U.S.A. Three seminars were also held in Monterrey, Guadalajara and Cancun. These seminars trained Mexican chefs on the use of the ABCC products.
- Participated in the Association of Convenience Stores (NACS) Buyers' Mission, providing Michigan companies with the opportunity to meet convenience store buyers from South Korea and Mexico. Michigan companies estimated an increase in export sales of \$1 million in the next year.
- Assisted 26 Michigan firms in applying and qualifying for more than \$209,500 in federal funds to reimburse their export development costs. Through membership in the Mid-America International Trade Council (MIATCO), MDA enables Michigan food producers and processors to receive reimbursements of up to 44 percent of their export market development costs in the USDA Branded Market Access Program.
- Coordinated participation of 10 Michigan firms in the Michigan pavilion at the Food Marketing Institute/U.S. Food Export Showcase in Chicago, the largest grocery store trade show in the world.

### **Opening Up the Mexican Market for Michigan Apple Exports**

- Provided technical assistance and market research to the Michigan Apple Committee (MAC) and the apple industry in efforts at opening the Mexican market for Michigan fresh apple exports since adoption of the North American Free Trade Agreement (NAFTA). The division also encouraged representatives of a dozen Michigan apple shippers and the Michigan Apple Committee to work together and form an export trading company. This will allow them to negotiate international trade terms with the Mexican government without violating U.S. commercial anti-trust laws. They did form the Great Lakes Fruit Exporters Association and received from the International Trade Commission of the U.S. Department of Commerce for an Export Trade Certificate of Review on December 5, 2003. The Export Trade Certificate will allow Michigan's apple industry to negotiate with Mexico to facilitate the state's first-ever apple exports there in 2004 and to try to reduce the 46 percent countervailing duty recently levied by Mexico on Red Delicious and Golden Delicious apple varieties.

## **Commodity Group Coordination**

- Representing the MDA Director, division staff attended 95 percent of regular, special and annual meetings for Michigan's 15 legislatively established commodity groups, and worked with Assistant Attorney General to review proposed programs, statutory issues, and unpaid or unremitted assessment funds. Chaired several meetings with commodity executives. Worked with and assisted several commodity groups to implement program changes that the Michigan Legislature adopted with amendments to Public Act 232 of 1965, as amended, the Agricultural Commodities Marketing Act.

## **Agri-Tourism**

- Received preliminary results from a producer survey of more than 300 Michigan agri-tourism entities, in cooperation with a Western Michigan University federal grant, to study the economic impact of agricultural tourism in Michigan. Also, more than 1,500 consumer surveys were completed by staff at numerous Ag-Tourism operations seeking information. A Federal State Market Improvement Program grant from USDA supported much of this work.

## **Domestic Marketing**

- Continued to develop the Select Michigan program and obtained USDA funding for the Select Michigan Foods: "Select a Taste of Michigan" Organic and Local Foods Program, a partnership among MDA, Cooperative Development Services, Michigan Integrated Food & Farming Systems (MIFFS), and many local partners. MDA and MIFFS will develop and field educational campaigns to promote Michigan-produced organic and locally grown products to Michigan consumers and retailers. Growers were recruited from across the state to produce product for partnering retailers. As a statewide effort is beyond the resources of the program, the Grand Rapids area was chosen to pilot the advertising and marketing campaign. Governor Granholm participated in the program launch in April 2003. More than 30,000 consumers sampled Michigan products in 137 food demonstrations. Michigan products were featured in 300 in-store point-of-purchase displays. Sales data indicate that the Select a Taste of Michigan promotions increased sales of featured Michigan products by an average of 111 percent over the previous year sales period. New distribution channels were opened for several producers.
- More than 100 specialty food processors participated in MDA-sponsored promotional events in Northville, Grand Rapids, Suttons Bay, Rochester, Howell, Brighton, Okemos and Ludington. This was part of the "Take Home a Taste of Michigan" marketing program. Products featured in these promotions included jams, jellies, honey, gourmet coffee, pastries, ice cream, cheese, pickles, baking mixes, and maple products. Funding from USDA FSMIP assisted exhibitors with their expenses.

## Grape and Wine Industry Council

- The Michigan Grape and Wine Industry Council is a 10-member Council established by the Legislature to promote Michigan's wine and wine grape-growing industries. Agriculture Development staff provide support in implementation of Council activities. New wineries are starting up in Michigan every year, wine grape acreage continues to grow, sales of Michigan wines are increasing, and the reputation of Michigan as a world-class wine region is gaining more national and international attention. The economic impact of the industry is more than \$75 million, with \$17 million of this attributed to secondary benefits of winery tourism.
- During 2003, the Council undertook a broad-based Strategic Planning activity, to establish future direction for the Council's work to stimulate this rapidly evolving industry. The Council meets five times per year and has committees to plan effective programs in the areas of Promotion, Research and Education to meet the long-term needs of the industry. A highlight activity in 2003 was a 10-day visit by internationally respected wine writer Tom Stevenson, who wrote a complimentary article in Decanter magazine upon his return to London, and hosted a tasting of Michigan wines for other European wine writers in January. An export development grant through the Agriculture Development Division assisted with some of the expenses of Mr. Stevenson's visit.

## Grant Administration

- Administered the Julian-Stille Value-added Agriculture Development Grant Program, created by Public Act 322 of 2000 to strengthen Michigan agriculture by offering an opportunity for producers, food processors, agri-businesses and others to leverage public funds with private investment to foster value-added agricultural initiatives in the specialty crops industry. The division monitored progress on 28 projects that were selected in 2002 to receive funding totaling \$1.14 million and other federal specialty crops block grants.
- A presentation was made on the early successes of the Julian-Stille Value-added Grant Program at the Northwest Michigan Farm and Orchard Show as part of their "Bouncing Back!" program, sponsored by the Grand Traverse Fruit Council. In addition to MDA, the following selected grant recipients reported on their projects:
  - Dennis Mackey, Northern Organics, Kaleva, for the purchase of equipment to produce premium fresh pressed fruit and vegetable juices;
  - Earl Peterson, Peterson Farms, Inc., Shelby, for the purchase of state-of-the-art equipment to increase value-added fruit juice processing capacity;
  - Joe Lothamer, Cherry Marketing Institute, DeWitt, to identify positioning strategies for high-value, new Michigan Balaton tart cherries;
  - Donald Coe, Black Star Farms, Suttons Bay, to expand the winery's distillery operations;
  - Ben LaCross, Leelanau Fruit Company, Suttons Bay, for the purchase of equipment and infrastructure to re-open the Buckley, MI sweet cherry processing facility; and
  - Jim Bardenhagen, Cherry Venture Co-op, Suttons Bay, to develop a brandied cherry product targeted to both the domestic and international baking and confectionary industries.
- Six Federal State Marketing Improvement Program (FSMIP) grant applications were received by the division and forwarded to USDA FSMIP office in nationwide competition. This resulted in the granting of \$96,615.00 of USDA funds to two projects involving compost marketing and blueberry.